

**CRISIL YOUNG THOUGHT LEADER 2007**



**DISSERTATION**

**ON**

**WRESTLING WITH THE RUPEE**

**SUBMITTED BY**

**DHRUV GADH**

**II Year, MBA FMS**

**E-mail- dhruv.g08@fms.edu**

**Ph : 91-9810801714**

**FACULTY OF MANAGEMENT STUDIES, NEW DELHI**

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## EXECUTIVE SUMMARY

This paper looks at the recent Indian Rupee's appreciation vis-à-vis the US dollar studying its evolution, the basic drivers of its movement, critical challenges within the context of high economic growth, high credit growth and the impact that the strengthening rupee will have on its industry & economy.

The key lesson derived from this analysis is that, in the short term a limit must be set on the rupee in reflecting and respecting both the dollar's weakness and capital flows. However, Indian corporates need to realize that as the Indian economy globalizes, our currency will be flexible & calibrated to account for real-world situations Merely by manipulating the rupee-dollar exchange rate the RBI cannot enhance the competitiveness of India's exports, because in the post-intervention period, the real exchange rate would appreciate and that will definitely place the exporters at a disadvantage.

While there is no easy & painless solution to this issue, it can **actually be turned around & made into a catalyst for future growth of India.**

The second half of this paper looks at the fundamental changes which would be needed by Indian corporates & policy makers to tackle this issue. The paper outlines these solutions in 3 phases: Short term, Medium term & Long term, as there is a need for taking corrective measures in the short term, as well as proactive action in the long term

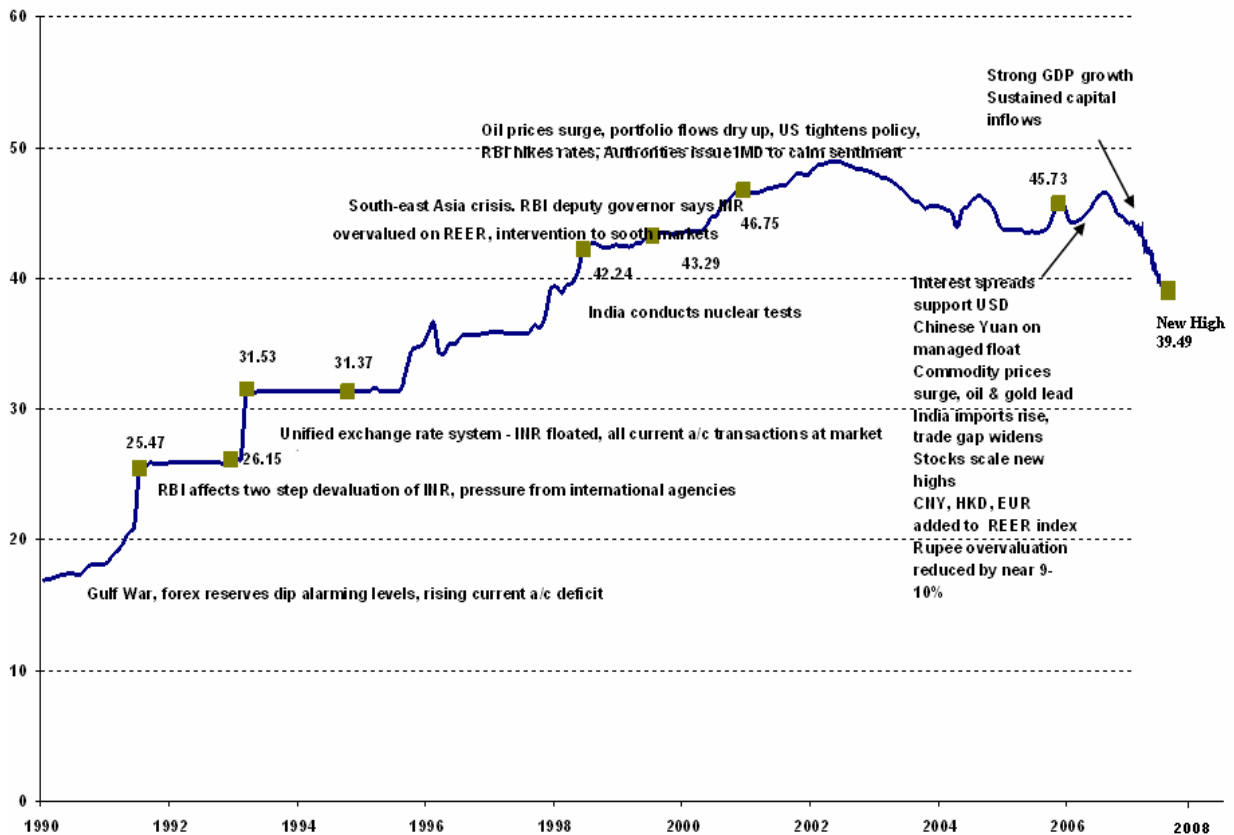
**The key lies in making logical yet strategic decisions with the vision of making India a globally competitive economic powerhouse.** However, to achieve this vision, the panacea for short-term currency exposures and long-term exchange rate appreciations need to be distinguished & approached accordingly. **The lasting solution is not to restrict capital inflows but to step up the pace of reforms.**

## THE FLIGHT OF INR

In the chart below, we have traced the movement of INR/USD, looking at certain critical flashpoints. Though, in 1993, India shifted towards a 'market determined exchange rate', where the exchange rate was determined on a market and not administratively determined. The behaviour of the rupee has remained largely unchanged since 1979. Over this period, the rupee has been a de facto peg to the US dollar with low currency flexibility. The implementation of this currency regime has been mainly through direct intervention by RBI on the foreign exchange market.

However, with Indian economy showing robust growth & companies gaining in confidence & looking to become internationally competitive, there has been a visible shift towards making INR more realistic & market determined.

**Exhibit 1: Flight of the INR**



Source: RBI, SCB Global research

The critical phases of this evolution were

**Period 1:** Pre April 1993: Administered exchange rate, critical situation of India's forex reserves force devaluation of INR

**Period 2:** April 1993 to February 1995: Period where trading in the INR first began. For most of this period the exchange rate was Rs.31.37 per dollar.

**Period 3:** February 1995 to August 1998 The period of the Asian crisis, there was the highest-ever currency flexibility in India's experience.

**Period 4:** August 1998 to March 2004 tight pegging, with low volatility and some appreciation.

**Period 5:** March 2004 to November 2006 Greater currency flexibility.

**Period 6:** Post Nov 2006: Move towards more market determined exchange rate, greater capital inflows, sharp fall with Rupee at a 9 year low.

## **UNDERSTANDING THE DYNAMICS**

In the Indian scenario, where the floating exchange rate is finely balanced through market demand & supply and the intervention of our central bank (RBI), it is no surprise that the key driver of any significant shift in the Indian currency would be because of these two forces.

### **1. The Capital inflow surge**

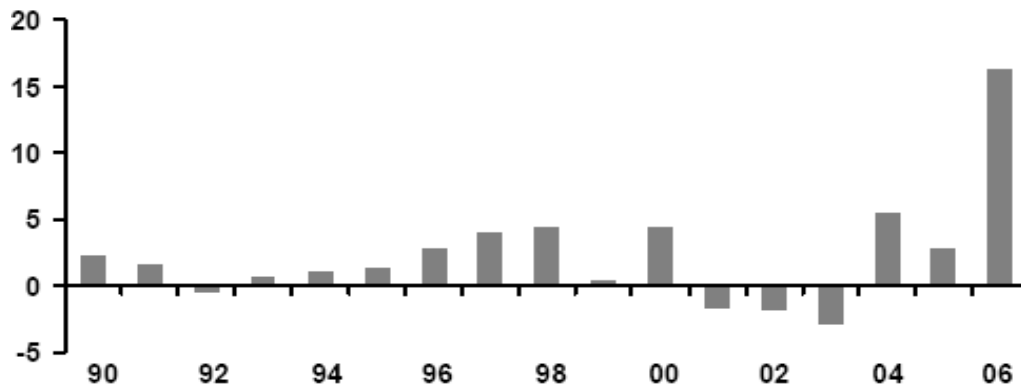
India's stellar economic growth has created a large domestic market that offers promising opportunities for foreign investors. Moreover, the country's rising competitiveness in many sectors has made it an attractive export base.

Overseas fund have so far invested \$9.9 billion worth into Indian equities in 2007, well above last year's level of \$7.99 billion. Foreign direct investment rose to \$17.7 billion in 2006-07 from \$7.7 billion a year earlier. The 3 key flow channels are:

### a) External commercial borrowings (ECBs)

Indian companies have borrowed enormous amounts of money overseas to finance investments and acquisitions at home and abroad. This borrowed money has returned to India, boosting capital inflows. India's balance-of-payments data (available to December 2006) reveal that inflows through external commercial borrowings (ECBs) amounted to an enormous US\$12.1bn during April-December 2006, a year-on-year jump of 33%. The flood of borrowed money is likely to grow in 2007. In the first three months of the year, Indian companies notified the RBI of plans to raise nearly US\$10bn in overseas debt.

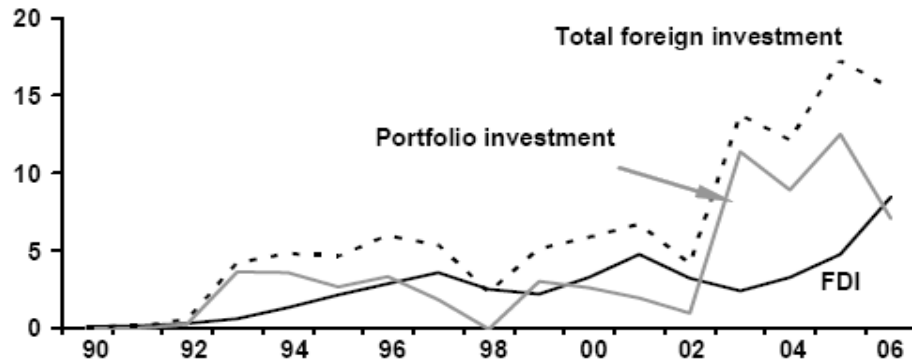
**Exhibit 2: External commercial borrowing (net) (\$ Billion)**



### b) Foreign portfolio inflows

India's booming stock market embodies the confidence of investors in the country's corporate sector. Foreign portfolio inflows have played a key role in fuelling this boom. Between 2003/04 and 2006/07, the net annual inflow of funds by foreign institutional investors (FIIs) averaged US\$8.1bn. Trends during the first five months of 2007 indicate that this flood is continuing, with net FII inflows amounting to US\$4.6bn. Another major source of portfolio capital inflows has been overseas equity issues of Indian companies via global depositary receipts (GDRs) and American depositary receipts (ADRs). Inflows from GDRs and ADRs amounted to US\$3.8bn in 2006/07, a year-on-year increase of 48%.

**Exhibit 3: Net foreign investment inflows in India (USD Billion)**



### **c) Foreign direct investment**

In 2006-07, FDI inflows touched \$19.53 billion, a 153% increase over the previous year. (This figure includes private equity and also \$3.5 billion in reinvested earnings.). With the government targeting a total inflow of \$30 billion in 2007-08, this surge is likely to continue.

### **d) Investments and remittances**

Indians settled in other countries have also been a major source of capital inflows, with many non-resident Indians (NRIs) investing large amounts in special bank accounts. While NRIs' emotional connection to their country of origin is part of the explanation for this, the attractive interest rates offered on such deposits also provide a powerful incentive. In 2006/07 NRI deposits amounted to US\$3.8bn, a 35% increase over the previous year; the outstanding value of NRI deposits as of end-March 2007 was US\$39.5bn. Another large source of foreign-exchange inflows has been remittances from the huge number of Indians working overseas temporarily. Such remittances amounted to a colossal US\$19.6bn in April-December 2006, a 15% year-on-year increase.

### ***Critical Challenge-Overheating further limits ability to intervene in FX Market***

Rising forex inflows have pushed the REER into the overvalued zone. India's foreign exchange reserves have increased by US\$48 billion over the last 12 months to US\$200 billion.

Even as the RBI may be concerned about the overvaluation of the currency and the widening trade deficit, it is forced to let the currency move to the overvalued zone, as excessive intervention in the FX market is resulting in a large injection of liquidity in the banking system. Two years back, when domestic capacity utilization was low, the system could absorb this liquidity. However, with capacity utilization increasing to near peak levels, this liquidity has over the last few months posed a challenge to macro stability. Most macro indicators such as accelerating inflation, a widening trade deficit, a stretch in the banking sector balance sheet and property prices are flashing red.

### **2. RBI focus on Inflation**

While the rupee rose by over 9% since the start of the year, RBI's priority was to fight inflation, which touched a high of 6.63% in February. To rein in spiraling inflation the RBI raised the cash reserve ratio (CRR) for the banking sector by 50 basis points to 6.5% in April and the 'repo' rate from 7.5% to 7.75% to curb excess liquidity in the banking system. In fact, the appreciating rupee has also made imports cheaper, making it an effective anti-inflationary measure, another reason for RBI deciding not to intervene.

### ***Critical Challenge- Fighting the Impossible Trinity***

The RBI is increasingly facing the complex challenge of trying to pursue an open capital account, an independent monetary policy, and a managed exchange rate. Given that India has gradually opened up its capital account, the Central Bank is being forced to choose between the other two corners of the impossible trinity - i.e., an independent monetary policy and a stable exchange rate.

The gradual liberalization of the capital account of the Indian economy coupled with a high global risk appetite over the last four years led to a surge in capital flows into India.

As we highlighted earlier, these capital flows are, at the margin, overheating the domestic economy. This overheating has forced the Central Bank independently to pursue a tightening monetary policy in an effort to rein in domestic demand. To improve the effectiveness of its monetary policy, RBI has been sterilizing the large increases in liquidity caused by intervention in the foreign exchange market through the issuance of short-term bonds and multiple increases in cash reserve ratios. However, this effort is complicated by higher interest rates, which, in turn, attract more debt capital inflows (a result of the open capital account). For instance, during the quarter ended March 2007, the foreign debt inflows rose to US\$10.5 billion from US\$4.4 billion during the quarter ended March 2006.

Although, so far, RBI has not taken any measures to control capital inflow, we believe that, if inflows surge further. For instance, it could reduce the limit on the amount of external commercial borrowings that can be raised by the corporate sector during a year.

### **KEY LESSON**

The quick climb of rupee in recent weeks, as compared to the modest and gradual of appreciation in the last four years, would only show that left to the market the rupee tends to experience larger swings. An appreciated and appreciating rupee would evoke more capital inflows, which would further complicate monetary management. The RBI finally had no option but to initiate measures to change regulations to moderate certain types of capital inflows: In effect, choosing an independent monetary policy and a stable exchange rate over an open capital account.

Going forward, I believe, that INR would emerge as one of the most sought-after currencies in the Asian market. Allowing the rupee to climb still further would be a prescription for disaster as speculative bubbles would be breathed into it. *Therefore, a limit must be set on the rupee in reflecting and respecting both the dollar's weakness and capital flows. However, in the long term, we need to recalibrate our stance and become competitive even in case of a completely open market.*

**All the recommendations, on policies as well as the corporate strategies needed to tackle the volatile rupee, in this paper would be based on this view.**

### **IMPACT ASSESSMENT**

Before developing a comprehensive mitigation strategy, we would analyse the impact of rupee appreciation on various stakeholder, so as to develop an all inclusive action plan.

#### **Pros- The positives that follow a rising rupee:**

**1. Benefit for importers:** A rising rupee helps importers to buy goods and services at a cheaper rate than earlier. This is vital for a developing economy that relies heavily on imports. India's import bill is far higher than our export earnings. When the rupee rises, the trade deficit comes down. Products that have an import component too become cheaper. Since inflation is high and liquidity is robust, the appreciation sucks in the liquidity from the system.

1. The rupee appreciation has softened the impact of the sharp rise in international crude oil prices helping Oil companies cut down their losses.

2. Sectors that depend on import of their raw material from abroad would also gain. These would include auto, engineering and aviation companies.

**2. Foreign debt service:** Appreciation of the rupee helps in easing the pressure, related to foreign debt servicing (interest payments on debt raised in foreign currency), on India and Indian companies. E.g. Companies with foreign currency loans or FCCBs like Reliance Communications, Bharat Forge, Sun Pharma and Ranbaxy would gain substantially due to rupee appreciation

**3. More Inflows:** A rising rupee is also expected to attract more foreign direct investment to India apart from keeping inflation and interest rates down. This should help the manufacturing sector to maintain the tempo of new investments and productivity improvements.

**4. Outbound tourism & education cheaper:** The appreciating rupee is a big positive for tourists traveling or wanting to travel abroad. Considering that the rupee has appreciated by over 10 per cent against the US dollar since mid-2002, traveling or studying in US has now become cheaper by a similar quantum in rupee terms.

**Cons-Disadvantages of currency appreciation:**

**1. Exporters disadvantage:** The exporters are at a disadvantage owing to the currency appreciation as this renders their produce expensive in the international markets as compared to other competing nations whose currencies haven't appreciated on a similar scale.

The appreciation of the rupee is definitely taking a toll on exports and an Assocham study has estimated their declaration to 145 billion dollars against the targeted figure of 160 billion dollars for 2007-08.

**Table 1**

Sector	Impact
Textiles & garments	Expected Job loss: 200,000 Loss in production capacity: 20-25%
Leather	Reduced profitability: 75%
Processed agricultural products	Cash loss: 22%
Handicrafts	Business loss: \$5 million
Engineering goods	Cash Loss: 10-15%
Chemicals	Reduction in exports: 20-25%
Sports Goods	Job loss: 10%
Marine Products	Reduction in exports: 10%

*Source: Field survey, March- June 2007, Ministry of Commerce*

This tends to take away a part of the advantage from Indian companies, which they enjoy due to their cost competitiveness. More critically about 65% of our exports come from

the SME segment. The SMEs have profit margins of barely 5-10%. If the rupee rises, as it has, their entire profit gets wiped out affecting the 15 million work force of this sector.

**2. Dollar denominated earnings hurt:** The strengthening rupee has an adverse impact on various companies/sectors, which derive a substantial portion of their revenues from the US markets (or in dollar denominations), while costs are in INR. Sectors like IT, Software, domestic pharma and textile industries get hit by this phenomenon due to such a revenue model.

### **ACTION TAKEN**

While the RBI has said that the rupee will continue to find its true value based on pure market dynamics. The sudden surge in rupee has made RBI intervene & regulate the markets, in order to protect the interests of exporters. The two major actions that the RBI & the Finance Ministry have taken are:

#### **1. Sterilization**

RBI has been intervening heavily since December 2006 to absorb foreign currency flows in fact, the RBI bought \$21.10 billion of dollars during April-July 2007, with \$11.42 billion in July alone, resulting in infusion of rupee liquidity of Rs 84,934 crore. As a result it had to hike the ratio of deposits that banks have to keep with the central bank several times to suck out liquidity and prevent it from impacting inflationary expectations.

The RBI issued bonds under the Market Stabilization Scheme (MSS), absorb liquidity under the Liquidity Adjustment Facility (LAF) through the reverse repo facility (surplus liquidity in the market is placed with the RBI at a rate of interest of 6%) and to increased the CRR by 50 basis points to 7%.

However, such methods can only be used as short term measures as sustained intervention comes at a high sterilization cost and at the risk of losing monetary autonomy.

## 2. Regulatory Intervention

Given the limited extent to which the RBI can intervene in the foreign-exchange market in the face of large and sustained capital inflows, policymakers can only stem rupee appreciation substantially by easing limits on domestic firms' overseas investments or restricting inflows

The RBI has already taken tentative steps in this direction, making it more difficult for Indian firms to borrow in foreign currency and eliminating the exemption from ECB limits previously enjoyed by real-estate firms. Some of these steps have been shown below:

**Table 2**

<b>Controlling Inflows</b>	<b>Relaxing Out flows</b>
<ul style="list-style-type: none"> <li>• ECB's for more than US\$20 million will be permitted only to cover foreign currency expenditure, and the funds will remain overseas.</li> <li>• ECBs up to US\$20 million will be permitted for foreign currency expenditure without any approval, but the funds may not be remitted to India.</li> <li>• ECBs up to US\$20 million for rupee expenditure now require RBI approval, and the funds must remain overseas until their actual use in India.</li> <li>• Companies are now allowed to borrow for three years at a maximum spread of 150 basis points above LIBOR and for</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals can remit up to \$200,000 against \$100,000</li> <li>• Companies allowed to invest overseas up to 400% of net worth overseas against 300% till now</li> <li>• Partnership firms also allowed to invest overseas 400% of net worth</li> <li>• Ceiling on portfolio investments by companies raised to 50% of net worth from 35%</li> <li>• The requirement of 10% reciprocal shareholding in listed Indian companies done away with for overseas portfolio investment</li> <li>• Companies can prepay ECBs up to</li> </ul>

five years at a maximum spread of 250 basis points above LIBOR.	\$500 million against \$400 million now <ul style="list-style-type: none"> <li>• Mutual funds allowed to invest an aggregate of \$5 billion overseas against \$4 billion now</li> </ul>
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*Source: RBI's Annual Policy Statement for 2007-08, recent announcements*

### **TURNING IT AROUND- WAY FORWARD**

Having closely analyzed the fundamentals of the rupee appreciation, its impact on the economy & the implications, I believe that while there is no easy & painless solution to this issue, it can actually be turned around & made into a catalyst for future growth of India.

The key lies in making logical yet strategic decisions with the vision of making India a globally competitive economic powerhouse.

However, to achieve this vision, we would have to take corrective measures in the short term, as well as proactive action in the long term to tackle the challenge of rupee appreciation.

The following chart outlines the measures which I have proposed & discussed in the following pages.

**Table 3**

<b>SHORT TERM</b>	
<b>Corporates Focus</b>	<b>Regulators/ Governments Focus</b>
<ul style="list-style-type: none"> <li>• Use of Hedging tools               <ul style="list-style-type: none"> <li>-Forwards</li> <li>- Swaps</li> <li>-Options</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Market Interventions</li> <li>• Tightening capital inflows &amp;</li> <li>• Relief packages for exporters</li> </ul>



<b>MEDIUM TERM</b>	
<b>Corporates Focus</b>	<b>Regulators/ Governments Focus</b>
<ul style="list-style-type: none"><li>• Working towards a new business/revenue model</li><li>• Diversification of businesses &amp; clients</li><li>•</li></ul>	<ul style="list-style-type: none"><li>• Improvement in Market Infrastructure</li><li>• improving the fiscal position</li><li>• Further liberalization of overseas investment norms</li></ul>



<b>LONG TERM</b>	
<b>Corporates Focus</b>	<b>Regulators/ Governments Focus</b>
<ul style="list-style-type: none"><li>• Moving up value chain</li><li>• Focus on productivity, cost cutting &amp; efficiency</li></ul>	<ul style="list-style-type: none"><li>• Development of infrastructure- Providing a sustainable competitive edge</li><li>• Focus on employment, education</li></ul>

### **CORPORATES FOCUS**

The appreciating rupee is a relatively new phenomenon to a country whose industries have been used to working on a depreciating rupee for over a decade now. Consequently, the stronger rupee is posed to create problems. Thus we need to develop a step wise mitigation process as outlined in *table 3*.

#### **1. Hedging to mitigate risk**

Indian businesses need to greatly sharpen their skills in hedging. As Indian economy integrates with the world economy, an open position on currency exposures could be a dangerous gamble. Forwards & swaps are being used by many companies, but as RBI data shows, use of foreign currency options is still very low, primarily due their complex nature & lack of comfort of Indian corporates.

**Table 4**

<b>Derivatives Turnover (in \$ billion)</b>	<b>2000-01</b>	<b>2005-06</b>	<b>2006-07(Till Feb 07)</b>
Forwards	163	839	1,035
Swaps	565	1,344	1,695
Options(Est.)	0	11	38

*Source: RBI*

Another major factor hindering the development of the options market is that corporates are not permitted to write/sell options. If corporates with underlying exposures are permitted to write/sell covered options, this would lead to increase in market volume and liquidity. Further, very few banks are market makers in this product and many deals are done on a back to back basis. For the product to reach the farther segment of corporates such as small and medium enterprises (SME) sector, it is imperative that public sector banks develop the necessary infrastructure and expertise to transact in options.

## **2. Adapting to the paradigm shift**

In the current scenario of rupee fluctuations, it is critical that Indian corporates, especially exporters are able to adapt to the changing business environment. The key areas where there is a need for Indian businesses to recalibrate their position are:

1. Our businesses need to **rework their position in the value chain**. As the Rupee appreciates, exporters must realize that 'brand India' has arrived. This means we cannot continue to export or produce products at the low end of the value chain. India, perhaps,

needs to import such goods from other developing countries and concentrate on value-added products. This is possible as, with the appreciation of the Rupee, newer technologies become economical and accessible to Indian manufacturers.

2. Further, the changing paradigm calls for a **re-look at domestic markets** by exporters. To aid domestic consumption, the government too has to play its part. One factor that inhibits domestic consumption is the high incidence of indirect taxes -- we end up paying 16% to the central government and another 12.5% as VAT to state governments, aggregating to approximately 30% or one-fourth of retail prices. This is one of the highest in the world. Obviously, **indirect tax reforms** are crucial to boost domestic consumption

3. There is also a need for exporters to guard themselves against anti-dumping investigations that would necessarily follow in this new paradigm. Accordingly, Indian corporates will have to conduct a **comprehensive risk analysis** of their exports to various countries, taking into account the probability of facing anti-dumping measures in those countries, and consequently strategize their operations.

4. Another area that requires deep contemplation by the business community is to re-compute their entire strategy on Special Economic Zones (SEZs) given these developments. It has to be noted that the success of the Chinese SEZs was aided and abetted almost close to a decade by a tightly pegged Yuan to US dollar. The entire economics of SEZs could undergo a tectonic shift in light of a sustained Rupee appreciation.

### **3. Strategic shift in the Corporate Mind Set**

The most fundamental challenge as well as the opportunity is that the rising rupee gives us, as an industry, is the necessary impetus to take a fresh look at cost structures, productivity and financial metrics. This is especially true for sunrise sectors like IT where the initial euphoria has to be replaced by a more practical & realistic salary structure. For instance, in outsourcing arena, a large proportion of work carried out from India tends to be on a time and material (T&M) basis. In general, there are few incentives in T&M

contracts to raise productivity. With rising costs and shrinking margins, there is a possibility of at least some of these contracts being renegotiated as fixed-price contracts, around work packages. This gives an incentive to the service providers to improve productivity and margins.

Another critical area would be diversification and reducing the over dependence on US markets by looking at Europe & Asia for future business ventures. As the US dollar has weakened these currencies have still remained stable thus showcasing the reduction that can be achieved in Value at Risk (VaR) through diversification. Corporates can also be proactive & take advantage of the strong rupee by driving through some strategic deals & overseas acquisitions.

With regards to the SME sector, there is a need for a comprehensive strategic positioning to leverage the opportunity that will be provided by the rising FDI inflows. These corporates need to focus on the India growth story and capitalize from it.

### **POLICY MAKERS FOCUS**

The points outlined in *table 3* follow from a lesson that is essential to absorb: India's ability to manage the real exchange rate has been severely undermined by capital flows. There is no need for India for further policy actions that will lead to greater capital inflows. It has to be recognized, though, that major restrictions on capital flows will damage market confidence, and minor ones, while helping minimize future problems, cannot fully address current ones. The RBI has already taken certain corrective steps as controlling the capital outflow & inflows, sterilization (see page ) as well as providing various export relief packages like the recently announced Finance Ministry's Rs 1400 crore package which essentially comprises of three components – interest relief on export credit(2% points), increase in duty drawback rates in nearly all items and an administrative action to enable the Commerce Ministry to expeditiously settle deemed export benefit reimbursement claims.

While the government has done well to provide certain sector specific packages, the few areas which the policy makers can consider are:

- Export financing in foreign currency should be made available more widely.
- A part of freight costs escalations can be compensated by the government
- Government can subsidize further by increasing in DEPB rates.
- The government should restore provisions under section 80HHC.
- The government can bring down the customs duty on import of capital goods to near 0%.
- There should be a check on the rising steel prices and also the increasing ocean & inland freight rates.

In the **medium run**, improving the fiscal position remains one of the key policy tools that can help counter real appreciation. Unlike monetary policy and sterilization, which largely affect nominal variables, fiscal consolidation can increase domestic savings and hence exert downward pressure on the real interest rate, causing a depreciation of the real exchange rate. Fiscal consolidation is desirable in its own right, but the government should consider making a special effort at improving government finances in response to episodes of sustained appreciation. Apart from this there has to be a focused effort to further develop the foreign exchange market infrastructure. It is essential that the Indian foreign exchange market is able to provide them with the same types of products and services as are available in the major markets overseas. Few measures which have been outlined in RBI's report on currency & finance are:

1. Introduction of more derivative products involving the rupee and more flexibility to both 'market makers' and 'users' to buy or sell these products
2. Taking cognizance of the offshore derivative markets involving the rupee and weighing all the options in this regard (*i.e.*, permitting these products onshore and permitting onshore entities to participate in the offshore markets)
3. Relaxation of the current restrictions imposed on the entry of non-resident entities in the domestic foreign exchange market, particularly the derivatives segment.

In the **longer term perspective**, the ability to sustain a competitive exchange rate will require strengthening the key factor that underlies value creation in India—its labor. This includes attacking the last bastion of the license raja—higher education—to **augment the**

**supply of skilled labor.** Wage increases averaging 12-14 percent in the last few years' signals emerging shortages in the supply of skilled labor. Policy actions also include, crucially, addressing the impediments—**labor laws and better basic education**—that prevent the utilization of India's vast pool of unskilled labor. Perhaps a deeper reason for China's competitive exchange rate might simply be that it has used—more effectively than India—its vast pool of labor which has kept a lid on wage growth and inflationary pressures. Most importantly, we have to realize that only way to become globally competitive we have to exposed to global market forces, thus there is a need to provide sustainable competitive edge to Indian companies which can only be derived through **improved infrastructure** especially port facilities, highways and power availability. Right now, costs are high because of weak infrastructure. Indian market, though famously large, is highly fragmented due to poor infrastructure for transport, numerous taxes levied at various rates by different governments and multiplicity of laws governing quality, classification and transportation of goods. India badly needs an Indian common market possessing world class infrastructure, uniform laws and a countrywide goods and service tax in lieu of the current plethora of levies. As India's infrastructure improves, those costs will come down. As freight corridors are built and airports are finished, that will help the manufacturers absorb the downside of the appreciating rupee

## CONCLUSION

Indian corporates need to realize that as Indian economy globalizes, our currency will be flexible & calibrated to account for real-world situations Merely by manipulating the rupee-dollar exchange rate the RBI cannot enhance the competitiveness of India's exports, because in the post-intervention period, the real exchange rate would appreciate and that will definitely place the exporters at a disadvantage.

While there is no easy & painless solution to this issue, it can actually be turned around & made into a catalyst for future growth of India. The key lies in making logical yet strategic decisions with the vision of making India a globally competitive economic powerhouse. However, to achieve this vision, the panacea for short-term currency exposures and long-term exchange rate appreciations need to be distinguished &

approached accordingly. The lasting solution is not to restrict capital inflows but to step up the pace of reforms.

We would have to take corrective measures in the short term, as well as proactive action in the long term to tackle the challenge of rupee appreciation. The need of the hour is a much greater political will & stronger corporate leadership which would help Indian economy to rise above the rising rupee.

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## AUTHORS PROFILE

**Name: DHRUV GADH**

Male, Indian, 22 years; Languages: English and Hindi.

### Academic Information

Year	Degree	Institution	Board/University	Subjects / Specialization	CGPA/%
2006-08	MBA-Full Time	Faculty of Management Studies (FMS)	Delhi University	1 <sup>st</sup> Year	<b>66.9%</b>
2006	B.E.	Delhi College of Engineering (DCE)	Delhi University	Mechanical Engineering	<b>72.4%</b>
2001	A.I.S.S.C.E.	Delhi Public School, Mathura Road	C.B.S.E.	Science with Computers	<b>80.4%</b>
1999	A.I.S.S.E.	Delhi Public School, Mathura Road	C.B.S.E.	Science, Mathematics, Social Science and languages	<b>83%</b>

### Academic Awards and Distinctions

- Award for "**Research Excellence in Financial Management**", by Industrial Finance Corporation of India 2007
- **DnB** certification for Executive development program on Derivatives 2006
- **Rank 3**, B.E. Final Year Project, Mechanical Department, DCE 2006
- **Represented India** at SAE-International Mini Baja Competition (Dayton, USA) 2005
  - Designing, fabricating and racing of '**All Terrain Vehicle**'.
- **Gown Holder** for consistent Academic Performance, DPS Mathura Road 2001
- **Academic Scholar**, DPS Mathura Road 1996 – 1998, 2000

### Summer Internship

Organization: **Standard Chartered Bank**

Apr-Jun, 2007

Department: **Global Markets**

Project: Identification of opportunities in the Commodities market & develop an action plan to strategically tap & monetize the existing & new clients of SCB.

### Projects Undertaken

- **Hay Group** Aug-Sep 07  
Strategy Decode for an Indian Industrial Goods company
- **Gimret & Co** Jun-Jul 04  
Independently recommended a **market entry strategy** for solar films in India
- **Indo-German Chamber Of Commerce** May-Jun 03  
Evaluation of Auto Component industry in India and **identification of export opportunities**.

### Extracurricular Activities

#### **Positions of Responsibility**

- **Executive Member**, Consulting Club, Faculty of Management Studies, Delhi 2007-08
- **Partner**, Consulting Club, Faculty of Management Studies, Delhi 2006-07
- **President**, American Engineering Society (ASHRAE)-DCE Chapter 2005-2006
- **Chief Organizer**, National Business Plan Event-'Eureka', DCE 2005
- **Director of Activities**, (All cultural & extra curricular activities), DPS 2001

#### **National Competitions Won**

- **Winner**, Citi Bank-Bourses Game, Investment Bankers Conclave 2007
- **Winner**, National Paper Writing Contest, XLRI Jamshedpur 2007
- **Winner**, National Strategy Case Presentation, DOMS-IIT-Madras 2007
- **Rank 2**, **National Business Plan Competition**, IIT-Delhi out of 90 business plans 2005